

Economic Intelligence

A. Sino-Soviet Bloc

Economic intelligence activity on the Bloc continued to focus on the measurement and prognosis of Soviet, Chinese Communist, and European Satellite economic strength, and on the production of military equipment, especially guided missile weapons systems. Despite an intensified effort to develop intelligence, including a realignment of analytical resources, serious gaps remain in our information on ICBM's. A number of basic research studies are providing more reliable tools for forecasting Soviet, Chinese Communist, and European Satellite economic growth at a time when this subject has increasingly engaged the attention of Congressional and Administration leaders. Mission-oriented analysis of military expenditures has been carried out for the first time, offering a new and more instructive comparison of US and Soviet military outlays. The Sino-Soviet Bloc economic programs directed towards the underdeveloped and uncommitted countries of the Free World are continuing to receive close scrutiny on an interagency basis. Progress on all these fronts has enabled the economic intelligence production elements to sharpen and define their collection requirements significantly during the year.

B. Non-Bloc Areas

In the non-Bloc areas of the world, economic intelligence resources continued to be directed toward support of the basic NIS program and the evaluation of current and near-term economic situations. Economic intelligence production has focused on the less developed countries, particularly the newly emerging nations of Africa, and on international commodity and trade problems. Attention has been given to the examination of the problems of economic growth in their socio-political context and to the implications of these developments with respect to US and Allied international relations and security interests. Free World arrangements with the Bloc for trade and aid were studied in detail; comparisons were prepared of the economic strength of key countries on both sides.

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Research Program of the Economic Research Area
Office of Research and Reports

The distribution of the research effort among the geographic areas of the Sino-Soviet Bloc has not changed significantly compared with the FY 1960 program. The USSR, of course, remains the primary target, receiving 43 percent of the research effort compared with 46 percent in FY 1960; Communist China is to receive somewhat greater emphasis, 14 percent compared with 13 percent; the European Satellites again are allocated 13 percent of the research effort; and the Far Eastern Satellites consume 3 percent. The remainder of 17 percent is for projects dealing with the Bloc as a whole, including those relating to the economic efforts of the Bloc to penetrate the underdeveloped areas of the Free World.

Increasing emphasis will be devoted to studies of economic aggregates and general economic analysis (29 percent) and to projects on the economic aspects of the military industries of the Sino-Soviet Bloc and the costing of military programs (25 percent). Appropriate emphasis also will be given to research on civilian industries and agriculture (20 percent); international trade and economic penetration (16 percent); and transportation, communications, and construction (16 percent).

Economic aspects of the Soviet guided missile program continue to play a major role in ERA research planning. The Guided Missile Branch of the Industrial Division is forming the core of a special task force set up by the Deputy Director for Intelligence (DD/I) to concentrate on the production and deployment aspects of this problem. In addition, other ERA branches have scheduled projects to investigate possible connections between their specific fields of responsibility and the Soviet missile program. Thus major attention will be given to this high-priority target by specialists concerned with the construction of production facilities, operational sites, and storage areas; by transportation specialists concerned with deployment systems; and by technical specialists in the fields of high-energy missile propellants, electronic and precision mechanism components, missile-associated metals (special alloying, refractory, and other metals), and special transportation and handling equipment.

The economic intelligence research program is marked by an increasing emphasis on studies devoted to the analysis of the long-range prospect of the economies of the Sino-Soviet Bloc. In addition to wide-ranging research aimed at methodological and measurement problems, the ERA is carrying out several major projects designed to analyze long-term growth prospects for Soviet

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industry, transportation, agriculture, and raw materials. The progress of the USSR toward its goal of catching up with the US is of increasing interest to our consumers, and this interest will be reflected in a number of comparative studies to be undertaken under this program. Also scheduled are area-wide projects on economic plans and prospects in the European Satellites and on the dependence of Communist China on outside sources for the achievement of its ambitious plans for growth.

Status of Economic Intelligence on Non-Bloc Areas

Economic intelligence resources on non-Bloc areas continued to be allocated during Fiscal Year 1960 to the community's two principal areas of research: the NIS program of basic studies on individual foreign countries and world-wide and regional problems of current and longer term concern to US security and foreign policy.

Broad economic problems especially in the commodity and trade field were carefully studied for their impact on foreign areas important to US interests. The North African oil discoveries, it was concluded, would have far-reaching international, regional, and local repercussions. The extremely rapid population growth in many countries was expected to pose increasingly serious problems where the rate of economic development is low. In the analysis of trade problems, the emphasis early in the year was on US balance of payments difficulties but later on shifted to the effects of the establishment and accelerated development of Europe's two potentially conflicting trading blocs. Key agricultural and industrial raw materials of importance to world trade and the economies of various foreign areas, international waterways and tanker and dry cargo shipping were treated in separate reports.

On a geographic basis, intelligence support was provided to policy and operating officials concerned with regions and countries of critical importance to the US. In Cuba, for example, the comparative strengths and weaknesses of the economy under the new regime, the vulnerability of its sugar industry and its over-all trade pattern were scrutinized. Longer range estimates of economic developments were prepared for South Korea, the Near East in general and the UAR in particular.

Free World arrangements with the Bloc for trade and aid were again studied in considerable depth, particularly in newly independent and other economically and politically weak nations. Background data and analyses were supplied constantly in response to questions raised regarding individual countries and commodities. Among the latter, tin and petroleum were subjected to detailed study. In response to widespread interest in Free World and Soviet Bloc rates of growth, comparisons were prepared of the economic strength of key countries on both sides.

As the year drew to a close, the economic problems besetting the newly emerging nations of Africa were undergoing urgent appraisal in terms of their local as well as broader impact. Approaching completion was an exhaustive survey of long range trends in all regions of the Free World for purposes of assessing their power position vis-a-vis the Soviet Bloc.

Geographic Intelligence Collection

Until such time as advanced reconnaissance systems are perfected and operational, the lack of Sino-Soviet Bloc topographic maps and geodetic data will continue to constitute a deficiency in the nuclear capability of the United States. First Category Objective "I.f." of VNIO states the requirements for "the identification and precise geodetic location of critical air and missile targets in the Sino-Soviet Bloc." To date no maps or geodetic data have been collected as a result of a planned and directed operation; however, topographic maps of East Germany were passively collected during the year. Considerable intelligence has been collected on the location and accessibility of maps and geodetic data in the Bloc and renewed efforts will be required prior to mounting clandestine operations that might have reasonable potential for success.

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